

BANK INDONESIA

No. 17/39/DPM

Jakarta, November 16, 2015

CIRCULAR LETTER

To

ALL COMMERCIAL BANKS

Concerning : Standing Facilities

In connection with Bank Indonesia Regulation Number 12/11/PBI/2010 concerning Monetary Operations (State Gazette of the Republic of Indonesia of 2010 Number 84, Supplement to State Gazette of the Republic of Indonesia Number 5141) as last amended by Bank Indonesia Regulation Number 17/20/PBI/2015 (State Gazette of the Republic of Indonesia of 2015 Number 275, Supplement to State Gazette of the Republic of Indonesia Number 5764) and to strengthen the infrastructures of Monetary Operation transactions, it is necessary to re-regulate the implementing provisions for Standing Facilities in this Bank Indonesia Circular Letter as follows:

I. GENERAL PROVISIONS

In this Bank Indonesia Circular Letter:

1. Bank shall be Commercial Bank as referred to in the applicable Act concerning Banking, conducting conventional business activities.
2. Monetary Operation shall be the implementation of monetary operations by Bank Indonesia for monetary control through open market operations and standing facilities.

3. Open Market Operation, hereinafter referred to as OMO, shall be transactions in money market conducted by Bank Indonesia with Banks and/or other parties in the context of Monetary Operations.
4. Standing Facilities shall be rupiah lending facility from Bank Indonesia to Banks and deposit facility by Banks at Bank Indonesia in the context of Monetary Operations.
5. BI Rate shall be the policy interest rate reflecting the stance of monetary policies determined by Bank Indonesia and announced to the public.
6. Securities shall be securities issued by Bank Indonesia and Sovereign Securities used in Standing Facilities transactions as specified in Bank Indonesia regulation concerning the criteria and requirements for securities, participants, and intermediary agencies in Monetary Operations.
7. Bank Indonesia Certificate, hereinafter referred to as SBI, shall be securities in rupiah currency issued by Bank Indonesia as acknowledgment of short-term indebtedness.
8. Bank Indonesia Deposit Certificate, hereinafter referred to as SDBI, shall be securities in rupiah currency issued by Bank Indonesia as acknowledgment of short term indebtedness, which may only be traded between Banks.
9. Sovereign Securities, hereinafter referred to as SBN, shall be Sovereign Debt Securities and Sovereign Sharia Securities.
10. Sovereign Debt Securities, hereinafter briefly referred to as SUN, shall be securities in the form of acknowledgment of indebtedness in rupiah currency or foreign currency, the payments of interest and principal of which guaranteed by the Government of Republic of Indonesia, in accordance with the validity thereof, as referred to in the applicable Act.

11. Sovereign Sharia Securities, hereinafter referred to as SBSN, or may be referred to as Sovereign Sukuk, shall be SBN issued based on the sharia principles, either in rupiah currency or foreign currency, as proof of participation in SBSN assets, as referred to in the applicable Act.
12. Government Bond shall be SUN with a period of more than 12 (twelve) months with coupon and/or discounted interest payment.
13. Treasury Bills, hereinafter referred to as SPN, shall be SUN with a period of until 12 (twelve) months with discounted interest payment.
14. Zero Coupon Bond, hereinafter referred to as ZCB, shall be non-coupon Government Bond with discounted interest payment.
15. Retail Government Bond, hereinafter referred to as ORI, shall be Government Bond, which, in the primary market, is sold to individuals of Indonesian citizenship.
16. Bank Indonesia-Real Time Gross Settlement System, hereinafter referred to as BI-RTGS System, shall be an electronic fund transfer system between BI-RTGS System participants in rupiah whose settlements are made real-time per individual transaction as specified in Bank Indonesia regulation concerning transaction implementation, securities administration, and real-time fund settlement.
17. Bank Indonesia-Scripless Securities Settlement System, hereinafter referred to as BI-SSSS, shall be an infrastructure used as a transaction administration facility with Bank Indonesia and financial market transactions, as well as securities administration, conducted in an electronic manner as specified in Bank Indonesia regulation concerning transaction implementation, securities administration, and real-time fund settlement.

18. Bank Indonesia-Electronic Trading Platform, hereinafter referred to as BI-ETP System, shall be an infrastructure used as transaction facility with Bank Indonesia and financial market transactions as specified in Bank Indonesia regulation concerning transaction implementation, securities administration, and real-time fund settlement.
19. Current Account shall be Bank's current account with Bank Indonesia.
20. Securities Account shall be Bank's account on BI-SSSS in Rupiah and foreign currencies administered in Bank Indonesia to record ownership and settlements of Securities transactions, transactions with Bank Indonesia, and/or financial market transactions.
21. Securities settlement shall be debit and credit of Securities Account for administration.
22. Fund Settlement shall be debit and credit of Current Accounts with Bank Indonesia through BI-RTGS System for administration.
23. Delivery Versus Payment, hereinafter referred to as DVP, shall be transaction settlement mechanism through simultaneous Securities Settlements and Fund Settlements.

## II. CHARACTERISTICS OF STANDING FACILITIES

1. Standing Facilities shall be instruments used by Bank Indonesia for injection and absorption of Rupiah liquidity in the money market.
2. Standing Facilities consist of:
  - a. provision of fund in Rupiah from Bank Indonesia to Bank (lending facility);  
and
  - b. placement of fund in Rupiah by Bank in Bank Indonesia (deposit facility).

3. Standing Facilities are provided by Bank Indonesia on every business day of Bank Indonesia, including limited business days of Bank Indonesia.
4. Standing Facilities transactions may be applied through BI-ETP System.
5. Standing Facilities term shall be 1 (one) business day (overnight).
6. The number of days in the calculation of repurchase agreement (repo) rate or discount rate of Standing Facilities is calculated based on calendar days.
7. Window time of Standing Facilities is determined as follows:
  - a. Provision of fund in Rupiah from Bank Indonesia to Bank (lending facility) from 16.00 West Indonesia Time until 18.00 West Indonesia Time or any other time determined by Bank Indonesia; and
  - b. Placement of fund in Rupiah by Bank in Bank Indonesia (deposit facility) from 16.00 West Indonesia Time until 17.30 West Indonesia Time or any other time determined by Bank Indonesia.
8. Bank Indonesia shall announce Standing Facilities transactions through BI-ETP System and/or any other means prior to window time of Standing Facilities.
9. In the event of change of window time, series, and types of Securities, haircut, repo rate, and/or discount rate, announcements shall be made prior to the window time of Standing Facilities.
10. Bank shall be responsible for the accuracy of Standing Facilities application data submitted to Bank Indonesia.
11. Bank must not cancel any Standing Facilities application submitted to Bank Indonesia.
12. Bank must have funds in their Rupiah Current Account and/or Securities in their Securities Account adequate to meet the mandatory Standing Facilities settlements.

13. If, after a transaction takes place, the due date of Standing Facilities is determined as a holiday by the government, settlement shall be made on the following business day without calculating repo rate or discount on the additional time of Standing Facilities transaction.
14. When Standing Facilities fall due, settlement shall be made on the due date since BI-RTGS System opens until prior to the cut-off warning period of BI-RTGS System.
15. Bank Indonesia shall administer Standing Facilities in Securities Account on BI-SSSS.

### III. LENDING FACILITY

1. Transaction Principles
  - a. Lending facility transactions shall be made in Securities repo mechanism, namely sale of Securities by Bank to Bank Indonesia with mandatory repurchase by Bank at the agreed price and on the agreed time.
  - b. Lending facility transactions shall be made in the principle of sell and buy back, namely transfer of ownership of Securities takes place.
  - c. Lending facility transactions shall be made in non-tender mechanism.
2. Securities:
  - a. Securities which may be repurchased shall be SBI, SDBI, and SBN under the requirements specified in Bank Indonesia regulation concerning the criteria and requirements for Securities, participants, and intermediary agencies in Monetary Operations.

- b. Securities which may be repurchased have the maximum amount of the nominal value of Securities owned by Bank that is recorded in Securities Account.

3. Repo Rate

- a. Bank Indonesia applies repo rate on lending facility transactions equal to BI-Rate plus a certain margin.
- b. Repo rate is calculated based on simple interest method.

4. Lending Facility Announcement

- a. Bank Indonesia shall announce lending facility transaction plan through BI-ETP System and/or any other means no later than prior to window time.
- b. Announcement of lending facility transaction plan includes among others:
  - 1) means of transaction;
  - 2) window time;
  - 3) term;
  - 4) repo rate; and/or
  - 5) settlement date and time.

5. Transaction Application

- a. Bank applies for lending facility transaction to Bank Indonesia on BI-ETP System on the determined window time.
- b. Application of lending facility transaction by Bank includes among others nominal value, series, and type of Securities to be repurchased.

6. Announcement of Transaction Result

After window time is closed, Bank Indonesia shall announce lending facility transaction result by the following methods:

- a. individually to Bank through BI-ETP System, among others in the form of the received transaction value and repo rate; and
- b. overall through BI-ETP System, among others in the form of the received nominal value and repo rate.

7. Transaction Settlement

a. First leg settlement

- 1) Bank Indonesia shall make first leg settlement on the transaction date (same day settlement) at the beginning of pre cut-off period on BI-RTGS System.
- 2) First leg settlement shall be made through BI-RTGS System and BI-SSSS under Delivery Versus Payment (DVP) mechanism by individual transaction (gross to gross) as follows:
  - a) Securities settlement by debiting Securities Account with an amount of the nominal value of Securities to be repurchased.
  - b) Fund settlement by crediting Rupiah Current Account with an amount of the first leg settlement value.
  - c) Calculation of first leg settlement value is as specified in Bank Indonesia regulation concerning the criteria and requirements for Securities, participants, and intermediary agencies in Monetary Operations.
- 3) If Bank does not have the type and series of Securities in the Securities Account adequate to meet the settlement obligation, which results in first leg settlement failure, BI-SSSS will automatically cancel the lending facility transaction.



- 4) On the lending facility transaction cancelation set forth in point 3), Bank shall be imposed with sanctions as specified in Bank Indonesia Regulation on Monetary Operations.
- 5) Pertaining to the calculation of the cancelled lending facility transaction, for temporary suspension imposition to follow Monetary Operation activities, if there are more than 1 (one) first leg settlement failure within 1 (one) day, then the cancelled transaction will be calculated as 1 (one) cancellation.

b. Second leg settlement

- 1) On the due date of (the second leg) lending facility, BI-SSSS shall automatically make the second leg settlement from BI-RTGS opens until prior to the cut-off warning period of BI-RTGS System.
- 2) Second leg settlement shall be made through BI-RTGS System and BI-SSSS under DVP mechanism by individual transaction (gross to gross) as follows:

- a) Fund Settlement by debiting Rupiah Current Account with an amount equal to the second leg settlement value, which is calculated as follows:

Second leg settlement value	=	First leg settlement value	x	Repo Rate of Lending Facility
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Note:

Repo Rate of Lending Facility	=	First Leg Settlement Value	x	Repo Rate	x	Term 360
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- b) Securities settlement by crediting Securities Account with an amount equal to the nominal value of Securities to be repurchased.

- c) Calculation of second leg settlement value is as specified in Bank Indonesia regulation concerning the criteria and requirements for Securities, participants, and intermediary agencies in Monetary Operations.
- 3) If Bank does not have the type and series of Securities in the Securities Account adequate to meet the second leg settlement obligation until prior to the cut-off period of BI-RTGS System, which results in second leg settlement failure, BI-SSSS will automatically cancel the due (second leg) lending facility transaction.
- 4) In the event of cancellation set forth in point 3), in the second leg, Bank Indonesia shall debit Rupiah Current Account with an amount equal to the mandatory repo rate payment of the lending facility.
- 5) On the due (second leg) lending facility transaction cancellation set forth in point 3), Bank shall be imposed with sanctions as specified in Bank Indonesia Regulation on Monetary Operations.
- 6) Pertaining to the calculation of the cancelled lending facility transaction, for temporary suspension imposition to follow Monetary Operation activities, if there are more than 1 (one) second leg settlement failure within 1 (one) day, then the cancelled transaction will be calculated as 1 (one) cancellation.

#### 8. Second Leg Settlement Failure

If Bank fails to make the second leg settlement, Securities to be repurchased shall be treated as follows:

- a. If Securities are those issued by Bank Indonesia, Bank Indonesia may apply an automatic early redemption through BI-SSSS.

- b. If Securities are SBN, the relevant transaction shall be treated as an outright sale transaction.
- c. Settlement value calculation and use of Securities price for outright sale transaction shall be as specified in Bank Indonesia regulation concerning the criteria and requirements for Securities, participants, and intermediary agencies in Monetary Operations.
- d. If the transaction set forth in letter b is treated as an outright transaction:
  - 1) Rupiah Current Account will be debited or credited with the following calculation:
    - a) If the price of an outright transaction is lower than that in the first leg transaction after subtracted by haircut, the Rupiah Current Account will be debited with an amount equal to such difference, after multiplied by the nominal value of Securities to be repurchased;
    - b) If the price of an outright transaction is higher than that in the first leg transaction after subtracted by haircut, the Current Account will be credited with an amount equal to such difference, after multiplied by the nominal value of Securities to be repurchased and maximum amount equal to the haircut value determined in the first leg.
  - 2) Rupiah Current Account will be credited with an amount equal to the accrued interest/return from the first leg settlement until the second leg settlement.
  - 3) Rupiah Current Account will be debited with an amount equal to the repo rate.

9. Securities Coupon

- a. If SBN to be repurchased in lending facility has coupon/return, the right to receive such coupon/return shall belong to the Bank.
- b. Any coupon/return in the event of second leg settlement failure and Securities in the form of SBN is treated as follows:
  - 1) If, after an outright transaction date set forth in point 8.b, Bank Indonesia receives payment of coupon/return for SBN to be repurchased by Bank, such coupon/return shall belong to Bank Indonesia.
  - 2) If, on an outright transaction date, Bank receives payment of coupon/return for SBN to be repurchased, Bank Indonesia shall debit the Bank's Rupiah Current Account with an amount equal to the coupon/return received by Bank.
  - 3) If, after an outright transaction date, Bank receives payment of coupon/return for SBN to be repurchased, then on the coupon/return date, Bank Indonesia shall debit the Bank's Rupiah Current Account with an amount equal to the coupon/return received by Bank.

#### IV. DEPOSIT FACILITY

1. Transaction Principle
  - a. Deposit facility transaction shall be made by placement of fund in Rupiah by Bank in a termed period with Bank Indonesia.
  - b. Deposit facility transaction shall be made without Securities issuance.
  - c. Deposit facility transaction shall be made under non-tender mechanism.
2. Discount Rate
  - a. Deposit facility transaction shall be made on discount system at a discount rate equal to BI Rate subtracted to a certain margin.

- b. Cash value of deposit facility transaction shall be calculated based on a true discount as follows:

Cash Value	=	$\frac{\text{Nominal Value} \times 360}{360 + (\text{Discount Rate} \times \text{Term})}$
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- c. Discount rate of deposit facility transaction shall be calculated as follows:

$\text{Discount Value} = \text{Nominal Value} - \text{Cash Value}$
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3. Deposit facility announcement

- a. Bank Indonesia shall announce lending facility transaction plan through BI-ETP System and/or any other means no later than window time.
- b. Bank Indonesia shall announce deposit facility transaction, including:
- 1) means of transaction;
  - 2) window time;
  - 3) term;
  - 4) discount rate; and/or
  - 5) settlement time.

4. Transaction Application

- a. Bank shall apply deposit facility transaction to Bank Indonesia through BI-ETP System in window time determined by mentioning transaction nominal value.
- b. Nominal value of each deposit facility transaction application is at least equal to Rp1,000,000,000.00 (one billion rupiah) and higher in the multiple of Rp100,000,000.00 (one hundred million rupiah).

5. Announcement of Transaction Result

After window time is closed, Bank Indonesia shall announce the deposit facility transaction result under the following provisions:

- a. individually to Bank through BI-ETP System, among others in the form of obtained transaction and discount rate; and
  - b. overall through BI-ETP System, among others in the form of received nominal value and discount rate.
6. Transaction Settlement
- a. Transaction settlement
    - 1) Bank Indonesia shall make deposit facility settlement on the transaction date (same day settlement) at the beginning of pre cut-off period on BI-RTGS System;
    - 2) Deposit facility settlement under the mechanism of individual transaction (gross to gross) by debiting Rupiah Current Account with an amount equal to the deposit facility transaction of the relevant Bank.
    - 3) If the Bank does not have adequate fund in their Rupiah Current Account to meet mandatory deposit facility settlement, which results in settlement failure, BI-SSSS shall automatically cancel the deposit facility transaction.
    - 4) On the cancelled deposit facility transaction set forth in point 3), Bank shall be imposed with sanctions as specified in Bank Indonesia Regulation on Monetary Operations.
    - 5) Pertaining to the calculation of the cancelled deposit facility transaction, for temporary suspension imposition to follow Monetary Operation activities, if there are more than 1 (one) deposit facility settlement failure within 1 (one) day, then the cancelled transaction will be calculated as 1 (one) cancellation.
  - b. Settlement of due deposit facility

On the deposit facility due date, Bank Indonesia shall fully pay deposit facility in an amount equal to the deposit facility's nominal value by crediting Rupiah Current Account.

## V. SANCTION IMPOSITION MECHANISM

1. If Bank fails to meet their obligation on the settlement date, which results in transaction cancelation set forth in point III.7.a.3), III.7.b.3), and IV.6.a.3), Bank shall be imposed with the following sanctions:
  - a. written warning, the copy of which shall be distributed to the Financial Services Authority (*Otoritas Jasa Keuangan*); and
  - b. payment obligation of 0.01% (one per ten thousand) of the declared cancelled Bank's transaction value, at the minimum of Rp10,000,000.00 (ten million rupiah) and at the maximum of Rp100,000,000.00 (one hundred million rupiah).
2. If a transaction has a second leg, the cancelled transaction value set forth in point 1.b shall be the transaction value in the first leg.
3. The written warning set forth in point 1.a shall be delivered 1 (one) business day after the transaction cancelation.
4. The payment obligation sanction set forth in point 1.b shall be conducted imposed by debiting the Bank's Rupiah Current Account 1 (one) business day after the transaction cancelation.
5. On the cancelled Monetary Operation transaction, including Open Market Operation and Standing Facilities transaction, for the third time within 6 (six) months, in addition to the sanction set forth in point 1, Bank shall also be

imposed with temporary suspension to follow Monetary Operation activities for 5 (five) consecutive business days.

6. The temporary suspension to follow Monetary Operation activities set forth in point 4 shall apply from the first day after the transaction cancellation.

Example of temporary suspension to follow Monetary Operation activities is as set forth in an Appendix, which shall be an inseparable part of this Bank Indonesia Circular Letter.

## VI. PARTICIPANTS AND INTERMEDIARY AGENCIES OF MONETARY OPERATIONS

Transactions, which have been made after enforcement of this Bank Indonesia Circular Letter and part of any made transactions prior to enforcement of this Bank Indonesia Circular Letter, shall comply with the provisions specified in Bank Indonesia Circular Letter Number 12/17/DPM dated July 6, 2010 concerning Standing Facilities as amended by Bank Indonesia Circular Letter Number 15/31/DPM dated August 27, 2013 until the relevant transaction falls due.

## VII. CLOSING PROVISIONS

On enforcement of this Bank Indonesia Circular Letter:

1. Bank Indonesia Circular Letter Number 12/17/DPM dated July 6, 2010 concerning Standing Facilities; and
2. Bank Indonesia Circular Letter Number 15/31/DPM dated August 27, 2013 concerning the Amendment to Bank Indonesia Circular Letter Number 12/17/DPM dated July 6, 2010 concerning Standing Facilities, are repealed and declared invalid.



This Bank Indonesia Circular Letter shall come into effect on November 16, 2015.

For public cognizance, it is ordered that this Bank Indonesia Circular Letter be promulgated by placing it in the Official Gazette of the Republic of Indonesia.

Your kind attention shall be highly appreciated.

BANK INDONESIA,

(signed)

DODDY ZULVERDI

HEAD OF MONETARY

MANAGEMENT DEPARTMENT

## APPENDIX

### BANK INDONESIA CIRCULAR LETTER

NUMBER 17/39/DPM DATED November 16, 2015

### CONCERNING STANDING FACILITIES

#### EXAMPLE OF SANCTION IMPOSITION RESULTING FROM MONETARY OPERATION TRANSACTION CANCELLATION

##### Case 1

There are 6 (six) cancellations of Monetary Operation transactions within 6 (six) months, namely 1 (one) SUN purchase transaction by BI in the secondary market, 1 (one) transaction of 1 (one) month SBI tender, 1 (one) deposit facility transaction, 1 (one) SUN sale transaction by BI in the secondary market, 1 (one) transaction of Term Deposit with 3 (three) day tenor, and 1 (one) transaction of Repo with 7 (seven) day tenor.

Transaction Cancellation Date	November 12, 2015	December 2, 2015	January 5, 2016
Cancelled Transaction	SUN purchase by BI in the secondary market	1-month SBI tender	1) Deposit facility 2) SUN sale by BI in the secondary market 3) Term Deposit with 3 (three) day tenor 4) Repo with 7 (seven) day tenor
Cancellation Frequency	1	1	4
Cancellation Accumulation	1	2	6 <sup>1</sup>

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<sup>1</sup> There are 6 (six) accumulated cancellations of Monetary Operation transactions since November 12, 2015. Then, the beginning of a 6-month period will start from the occurrence of the next cancellation.

Sanction Imposition Date	November 13, 2015	December 3, 2015	January 6, 2016
Transaction Cancellation Date	November 12, 2015	December 2, 2015	January 5, 2016
Sanction	a. Written warning; and b. Payment obligation of 0.01% (one per ten thousand) of the declared cancelled Bank's transaction nominal value, at the minimum of Rp10 million and at the maximum of Rp100 million	a. Written warning; and b. Payment obligation of 0.01% (one per ten thousand) of the declared cancelled Bank's transaction nominal value, at the minimum of Rp10 million and at the maximum of Rp100 million	a. Written warning; b. Payment obligation of 0.01% (one per ten thousand) of the declared cancelled Bank's transaction nominal value, at the minimum of Rp10 million and at the maximum of Rp100 million; and c. Temporary suspension to follow Monetary Operation activities for 5 (five) consecutive business days, i.e. 6,7,8,11 and 12 January 2016.

## Case 2

There are 5 (five) cancellations of Monetary Operation transactions within 6 (six) months, namely 1 (one) SUN purchase transaction by BI in the secondary market, 1 (one) lending facility transaction, 1 (one) SUN sale transaction by BI in the secondary market, 1 (one) transaction of Term Deposit with 3 (three) day tenor, and 1 (one) transaction of Repo with 7 (seven) day tenor.

Then, there are 3 (three) cancellations of Monetary Operation transactions within 6 (six) months, namely 1 (one) deposit facility transaction and 2 (two) SBI tender transactions (tender of 1 (one) month SBI and 3 (three) month SBI).

Transaction Cancellation Date	Jul 13, 2015	Aug 6, 2015	Dec 9, 2015	Dec 16, 2015
Cancelled Transaction	SUN purchase by BI in the	1) Lending facility	Deposit facility	1) 1-month SBI tender

	secondary market	2) SUN sale by BI in the secondary market 3) Term Deposit with 3 (three) day tenor 4) Repo with 7 (seven) day tenor		2) 3-month SBI tender
Cancellation Frequency	1	4	1	2
Cancellation Accumulation	1	5 <sup>2</sup>	1	3 <sup>3</sup>
Sanction Imposition Date	Jul 14, 2015	Aug 7, 2015	Dec 10, 2015	Dec 17, 2015
Transaction Cancellation Date	Jul 13, 2015	Aug 6, 2015	Dec 9, 2015	Dec 16, 2015
Sanction	a. Written warning; and b. Payment obligation of 0.01% (one per ten thousand) of the declared cancelled Bank's transaction nominal value, at the minimum of Rp10 million and at the maximum of Rp100 million	a. Written warning; b. Payment obligation of 0.01% (one per ten thousand) of the declared cancelled Bank's transaction nominal value, at the minimum of Rp10 million and at the maximum of Rp100 million; and c. Temporary suspension to follow Monetary Operation activities for 5 (five) consecutive business days, i.e. 7,10,	a. Written warning; and b. Payment obligation of 0.01% (one per ten thousand) of the declared cancelled Bank's transaction nominal value, at the minimum of Rp10 million and at the maximum of Rp100 million	a. Written warning; b. Payment obligation of 0.01% (one per ten thousand) of the declared cancelled Bank's transaction nominal value, at the minimum of Rp10 million and at the maximum of Rp100 million; and c. Temporary suspension to follow Monetary Operation activities for 5 (five) consecutive business days, i.e.

<sup>2</sup> There are 5 (five) accumulated cancellations of Monetary Operation transactions since July 13, 2015

<sup>3</sup> There are 3 (three) accumulated cancellations of Monetary Operation transactions since December 9, 2015  
Then, the beginning of a 6-month period will start from the occurrence of the next cancellation.

		11,12 and 13 August 2015.		17,18,21,22, and 23 December 2015.
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### Case 3

On July 13, 2015, there is 1 (one) cancellation of SUN purchase transaction by BI in the secondary market and on August 6, 2015, there is 1 (one) cancellation of Deposit Facility transaction, and therefore, there are 2 (two) accumulated cancellations since July 13, 2015 (still within 6 (six) months).

On January 25, 2016, there is 1 (one) cancellation of Deposit Facility transaction. Accumulation of cancellation is not calculated since July 13, 2015 because it passes a period of 6 (six) months, but the calculation starts from August 6, 2015. Therefore, there are 2 (two) accumulated cancellations.

Then, on February 3, 2016, there is 1 (one) cancellation of 1 (one) month SBI tender transaction. There are 3 (three) accumulated cancellations since the cancellation on August 6, 2015 (still within a period of 6 (six) months).

Transaction Cancellation Date	Jul 13, 2015	Aug 6, 2015	Jan 25, 2016	Feb 3, 2016
Cancelled Transaction	SUN purchase by BI in the secondary market	Deposit facility	Deposit facility	1-month SBI tender
Cancellation Frequency	1	4	1	2

Cancellation Accumulation	1	2	2 <sup>4</sup>	3 <sup>5</sup>
Sanction Imposition Date	Jul 13, 2015	Aug 6, 2015	Jan 25, 2016	Feb 3, 2016
Transaction Cancellation Date	Jul 14, 2015	Aug 7, 2015	Jan 26, 2016	Feb 4, 2016
Sanction	a. Written warning; and b. Payment obligation of 0.01% (one per ten thousand) of the declared cancelled Bank's transaction nominal value, at the minimum of Rp10 million and at the maximum of Rp100 million	a. Written warning; b. Payment obligation of 0.01% (one per ten thousand) of the declared cancelled Bank's transaction nominal value, at the minimum of Rp10 million and at the maximum of Rp100 million	a. Written warning; and b. Payment obligation of 0.01% (one per ten thousand) of the declared cancelled Bank's transaction nominal value, at the minimum of Rp10 million and at the maximum of Rp100 million	a. Written warning; b. Payment obligation of 0.01% (one per ten thousand) of the declared cancelled Bank's transaction nominal value, at the minimum of Rp10 million and at the maximum of Rp100 million; and c. Temporary suspension to follow Monetary Operation activities for 5 (five) consecutive business days, i.e. 4,5,8,9, and 10 February 2016.

<sup>4</sup> There are 2 (two) accumulated cancellations of OMO transactions since August 6, 2015. Cancellation on January 25, 2016 is beyond a period of 6 months since the cancellation on July 13, 2015; however, it is still within a period of 6 months since the cancellation of August 6, 2015

<sup>5</sup> There are 3 (three) accumulated cancellations of OMO transactions since August 6, 2015. Cancellation on February 3, 2016 is beyond a period of 6 months since the cancellation on July 13, 2015; however, it is still within a period of 6 months since the cancellation of August 6, 2015  
Then, the beginning of a 6-month period will start from the occurrence of the next cancellation.

#### Case 4

On September 10, 2015, there is 1 (one) cancellation of SUN purchase transaction by BI in the secondary market.

On October 19, 2015, there is 1 (one) cancellation of Deposit Facility transaction. Therefore, there are 2 (two) accumulated cancellations since September 10, 2015 (still within a period of 6 (six) months).

On February 25, 2016, there is 1 (one) cancellation of SDBI Tender transaction. Accumulated cancellation is not calculated since the cancellation on October 19, 2015. Therefore, there are 2 (two) accumulated cancellations.

Then, on March 7, 2016, there is 1 (one) cancellation of 1 (one) month SBI tender transaction. There are 3 (three) accumulated transactions since the cancellation on October 19, 2015 (still within a period of 6 (six) months).

Transaction Cancellation Date	September 10, 2015	October 19, 2015	February 25, 2016	March 7, 2016
Cancelled Transaction	SUN purchase by BI in the secondary market	Deposit facility	SDBI tender	SBI tender
Cancellation Frequency	1	1	1	1
Cancellation Accumulation	1	2	2 <sup>6</sup>	3 <sup>7</sup>
Sanction Imposition Date	September 11, 2015	October 20, 2015	February 26, 2016	March 8, 2016
Transaction Cancellation Date	September 10, 2015	October 19, 2015	February 25, 2016	March 7, 2016
Sanction	a. Written warning; and	a. Written warning;	a. Written warning; and	a. Written warning;

<sup>6</sup> There are 2 (two) accumulated cancellations of OMO transactions since October 19, 2015. Cancellation on February 25, 2016 is beyond a period of 6 months since the cancellation on September 10, 2015; however, it is still within a period of 6 months since the cancellation of October 19, 2015

<sup>7</sup> There are 3 (three) accumulated cancellations of OMO transactions since October 19, 2015. Cancellation on March 7, 2016 is beyond a period of 6 months since the cancellation on September 10, 2015; however, it is still within a period of 6 months since the cancellation of October 19, 2015  
Then, the beginning of a 6-month period will start from the occurrence of the next cancellation.

	<p>b. Payment obligation of 0.01% (one per ten thousand) of the declared cancelled Bank's transaction nominal value, at the minimum of Rp10 million and at the maximum of Rp100 million</p>	<p>b. Payment obligation of 0.01% (one per ten thousand) of the declared cancelled Bank's transaction nominal value, at the minimum of Rp10 million and at the maximum of Rp100 million</p>	<p>b. Payment obligation of 0.01% (one per ten thousand) of the declared cancelled Bank's transaction nominal value, at the minimum of Rp10 million and at the maximum of Rp100 million</p>	<p>b. Payment obligation of 0.01% (one per ten thousand) of the declared cancelled Bank's transaction nominal value, at the minimum of Rp10 million and at the maximum of Rp100 million; and</p> <p>c. Temporary suspension to follow Monetary Operation activities for 5 (five) consecutive business days, i.e. 8,9,10,11, and 14 March 2016.</p>
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HEAD OF MONETARY

MANAGEMENT DEPARTMENT

(signed)

DODDY ZULVERDI



## **FREQUENTLY ASKED QUESTIONS (FAQ)**

**CIRCULAR LETTER NUMBER 17/39/DPM DATED NOVEMBER 16, 2015**

### **CONCERNING STANDING FACILITIES**

**1. Q : What is the background of this Circular Letter?**

A : This Circular Letter is issued to strengthen the infrastructures of Monetary Operation transactions conducted by Bank Indonesia through provision of Bank Indonesia-Electronic Trading Platform System (BI-ETP System) as a means of Monetary Operation transactions.

**2. Q : What is Standing Facilities and how is the implementing mechanism?**

A : Standing Facilities shall be provision of fund in Rupiah from Bank Indonesia to Bank (lending facility) and placement of fund in Rupiah by Bank in Bank Indonesia (deposit facility).

Application of Standing Facilities is submitted through BI-ETP System under the following mechanism:

1. Lending facility shall be made in Securities repurchase agreement at the agreed price and on the agreed time under non-tender mechanism.
2. Deposit facility shall be made by placement of Rupiah fund by Bank in a termed manner in Bank Indonesia under non-tender mechanism.

**3. Q : What is BI-ETP System?**

A : BI-ETP System shall be an infrastructure used as transaction facility with Bank Indonesia and financial market transactions as specified in Bank Indonesia regulation concerning transaction implementation, securities administration, and real-time fund settlement.

**4. Q : When will the window time of Standing Facilities transactions be opened?**

A : Window time of Standing Facilities are specified as follows:

1. Lending facility starts from 16.00 West Indonesia Time until 18.00 West Indonesia Time or any other time determined by Bank Indonesia; and
2. Deposit facility starts from 16.00 West Indonesia Time until 17.30 West Indonesia Time or any other time determined by Bank Indonesia.

**5. Q : What securities which may be repurchased for lending facility transactions and what are the requirements for repurchased securities?**

A : Securities which may be repurchased shall be SBI, SDBI, and SBN under the requirements specified in Bank Indonesia regulation concerning the criteria and requirements for Securities, participants, and intermediary agencies in Monetary Operations.

**6. Q : What is the treatment of securities coupon repurchased to Bank Indonesia?**

- A :
1. If SBN to be repurchased in lending facility has coupon/return, the right to receive such coupon/return shall belong to the Bank.
  2. Any coupon/return in the event of second leg settlement failure and Securities in the form of SBN is treated as follows:
    - a. If, after an outright transaction date set forth in point 8.b, Bank Indonesia receives payment of coupon/return for SBN to be repurchased by Bank, such coupon/return shall belong to Bank Indonesia.
    - b. If, on an outright transaction date, Bank receives payment of coupon/return for SBN to be repurchased, Bank Indonesia shall debit the Bank's Rupiah Current Account with an amount equal to the coupon/return received by Bank.
    - c. If, after an outright transaction date, Bank receives payment of coupon/return for SBN to be repurchased, then on the coupon/return date,

Bank Indonesia shall debit the Bank's Rupiah Current Account with an amount equal to the coupon/return received by Bank.

**7. Q : When will Standing Facilities settlements be made?**

A : Standing Facilities settlements shall be conducted on the transaction date (same day settlement) at the beginning of the pre cut-off period of BI-RTGS System.

**8. Q : When will due Standing Facilities settlements be made?**

A : Due Standing Facilities settlements shall be made on the due date since BI-RTGS System opens until prior to the cut-off warning period of BI-RTGS System.

## **SUMMARY OF BANK INDONESIA CIRCULAR LETTER**

Regulation : Bank Indonesia Circular Letter No. 17/39/DPM concerning Standing Facilities

Date : November 16, 2015

Effective : As from November 16, 2015

### **I. Background**

This regulation is issued to strengthen the infrastructures of Monetary Operation transactions conducted by Bank Indonesia through provision of Bank Indonesia-Electronic Trading Platform System (BI-ETP System) as a means of Monetary Operation transactions.

### **II. Regulation Materials**

1. Standing Facilities shall be provision of fund in Rupiah from Bank Indonesia to Bank (lending facility) and placement of fund in Rupiah by Bank in Bank Indonesia (deposit facility).
2. Standing Facilities are provided by Bank Indonesia on every business day of Bank Indonesia, including limited business days of Bank Indonesia.
3. Application of Standing Facilities is submitted through BI-ETP System under the following mechanism:
  - a. Lending facility shall be made in Securities repurchase agreement at the agreed price and on the agreed time under non-tender mechanism.
  - b. Deposit facility shall be made by placement of Rupiah fund by Bank in a termed manner in Bank Indonesia under non-tender mechanism.

4. BI-ETP System shall be an infrastructure used as transaction facility with Bank Indonesia and financial market transactions as specified in Bank Indonesia regulation concerning transaction implementation, securities administration, and real-time fund settlement.
5. Window time of Standing Facilities are specified as follows:
  - a. Lending facility starts from 16.00 West Indonesia Time until 18.00 West Indonesia Time or any other time determined by Bank Indonesia; and
  - b. Deposit facility starts from 16.00 West Indonesia Time until 17.30 West Indonesia Time or any other time determined by Bank Indonesia.
6. For cancellation of Standing Facility transactions, Bank shall be imposed with the following sanctions:
  - a. written warning, the copy of which shall be distributed to the Financial Services Authority (*Otoritas Jasa Keuangan*);
  - b. payment obligation of 0.01% (one per ten thousand) of the declared cancelled Bank's transaction value, at the minimum of Rp10,000,000.00 (ten million rupiah) and at the maximum of Rp100,000,000.00 (one hundred million rupiah). If a transaction has a second leg, the cancelled transaction value set forth in point 1.b shall be the transaction value in the first leg;
  - c. temporary suspension to follow Monetary Operation activities for 5 (five) consecutive business days if Monetary Operation transactions, including Open Market Operation transactions and Standing Facilities transactions, fail for the third time within 6 (six) months.
7. Standing Facilities settlements shall be conducted on the transaction date (same day settlement) at the beginning of the pre cut-off period of BI-RTGS System.

8. Due Standing Facilities settlements shall be made on the due date since BI-RTGS System opens until prior to the cut-off warning period of BI-RTGS System.